2011 CalPERS Health Plan Rate and Benefit Changes Seminar
Northern California Sessions

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Host: Don Sherman and Pamela Goldberg
Guests: Mark Johnson, Anthem Blue Cross
Gloria Feldman, Medco

Video Transcript

Don Sherman:
I would like to introduce and hand the presentation over to Mr. Mark Johnson from Anthem Blue Cross and there's your slide Mark.

Mark Johnson:
Good morning everyone. Well the first thing I'm going to do is provide an overview of the PPO programs. Firstly, there are three separate PPO plans that are self-funded by CalPERS. They use us at Anthem Blue Cross to perform the benefits administration on the medical benefits. And they have Medco provide the pharmacy benefits administration activity. There are three separate plans as you probably are aware. The first plan is PERS Care. That is a plan that's been in existence the longest. It does offer the full spectrum of the Blue Cross network. It also has the highest coverage. It's also the highest premium cost. PERS Choice is by far the most popular of the three PPO plans. Approximately 90% of all the PPO enrollment of under age 65 members are enrolled in the PERS Choice plan. It again has like PERS Care the full spectrum of the Blue Cross network and based on our review, compared to PPO plans that are offered in the private and public employer environment, it's a very competitive plan in both benefits and in premium cost. The third plan is the PERS Select plan. And this is a plan that was introduced in January 2008. It uses a subset of the full Blue Cross physician network, about 60% of the physicians who are in our full network are participating in the Select network. Now, these are physicians that we've identified perform more cost efficient medical care without compromising quality. It has the same coverage level that's available under PERS Choice and this plan is at a lower premium cost. What we are doing, and I'll get into this in a couple of additional slides that will be forthcoming, we are introducing a new concept of the PERS Select plan in 2011 where we are going to be introducing a narrower hospital network.

The similarities between the three PPO plans is that they all share a $500 annual deductible. They all feature a $20 office visit copayment. They all feature 100% routine and preventive coverage. And they all feature a $50 emergency room deductible. The differences between the PPO plans is that as PERS Care is the richest benefit in benefit coverage, it is basically a 90/10 plan, a 90% coverage level from the plan, 10% on the members part after the deductible's been met. PERS Choice and PERS Select are 80/20 plans. 80% co-insurance by the plan, 20% on the members part after the deductible is met. PERS Choice and PERS

Select have a maximum amount of coverage under physical therapy, where there is no maximum under PERS Care. Chiropractic coverage under PERS Care is richer than is available under PERS Choice and PERS Select. PERS Care offers 20 combined visits and PERS Choice and PERS Select 15 visits.

Now, how does a PPO plan work? Well, basically there's the $500 calendar year deductible. Physician office visits, routine preventive visits, and medication prescriptions, now they do not get applied toward the $500 deductibles. Largely services such as surgery services, hospitalization, imaging services, behavior health, chiropractic, acupuncture, those are subject to the $500 deductible. After the deductible's been met, then the, on the PERS Care plan, the 90/10 plan design kicks in. And for PERS Choice and PERS Select, it's the 80/20 arrangement.

Now services for non participating providers on all three plans is reimbursed at 60%. All PPO plans that I'm aware of provide a distinct disincentive for members to use nonparticipating providers. Also an additional items is that on the maximum out-of-pocket co-insurance under PERS Care is limited to $2,000 per year, per member, and it is $3,000 on PERS Choice and PERS Select. In my view, if you have an employee who's interested in PPO coverage, I think the fundamental question they may want to ask themselves is am I willing to share more in medical expenses to have unrestricted freedom to choose to direct my medical care. In my mind, that's the value proposition of PPO coverage. You're not assigned a primary care physician. You call the shots on where you go, and who you see. Granted on a PPO plan, you have to share more in plan expenses. There's a deductible which obviously is not existing in the two HMO options. And there's co-insurance obligations. Another thing to keep in mind for someone interested in PPO coverage if they tend to have a healthy year, they'll pay $20 for routine office visits, their preventive care is covered at 100% and they would pay copayments just like an HMO plan for the medications. So an individual may have a relatively healthy year, still see physician services, receive medications, and not pay much more than they would under HMO coverage.

Now I want to get into some of the key 2011 benefit changes. Under the PERS Choice and the PERS Select plan, as Don Sherman had mentioned, the two million dollar lifetime maximum is being removed. And this is a provision of health care reform. I know for years that the two million dollar maximum made people a little bit nervous. We had very few people who ever hit the two million dollars, but effective next year, it will no longer exist.

We are introducing two new programs to the PPO programs in 2011. First we are introducing a value based purchasing designed specifically for hip and knee joint replacement surgery. And this will apply to all three of the PPO plans. We are introducing a narrow hospital network to compliment the narrow physician network under the PERS Choice plan. Now the value based purchasing design program, this is a pilot program that we have developed working with the

CalPERS board administration. One thing that we do at Anthem Blue Cross in which we in turn provide to CalPERS staff, is tons and tons and tons of medical data. And one thing is quite apparent is that knee and hip joint replacement surgeries are growing in frequency at an alarming rate. On the good news it's providing a very valuable service to members but they are very, very expensive services. The other thing we've noticed is that hospitals around the state charge services their particular charges for these procedures at very large disparities in what they charge. It's not uncommon in California to have one hospital charge $80,000 for their services for a routine knee or hip joint replacement surgery, and another hospital with comparable quality three miles away may charge $28,000. We know that for a fact. We see all the data. So what we are trying to do is develop a way to rein in these costs. So what we've done with the CalPERS board is we are launching this pilot program. We have designated 44 facilities around California, and these are some of the premier hospital facilities in the state. And the way the program is going to work is that we have created a threshold of $30,000 payment that these 44 hospitals will accept in total, other than members' co-insurance obligation, for a routine knee or hip joint replacement. We will have all these 44 hospitals available to people online. There is also going to be a process in place through the precertification process if somebody is proposing to have this surgery done at a non-designated value based hospital. Thirty thousand dollars again will be the threshold amount and if someone should happen to make a conscious decision to go to a facility that is not one of the 44 designed hospitals for this type of procedure, then, and if the bill ends up begin beyond $30,000, they would be responsible for the difference.

Now the next particular important benefit change that we are making, and this is specifically to the PERS Select plan is that we are introducing a narrow hospital network. Again, the same theme as the value based program for knee and hip joint replacement. We know that hospitals throughout the state of California charge, there's a large variance of charges for the same exact services. This is actually one of the key theme that CalPERS was involved with several years ago with the Sutter system. Is that they had an outside consultant identify that the Sutter system was charging hospital charges that were 60% higher than the average hospital charges throughout the state. So what we've done at Anthem Blue Cross is that we're creating a two-tiered hospital network design within the PERS Select plan. What we are going to do is with a tier one hospital, and there will be about 160 hospitals designated as tier one, that's about 42% of our entire statewide hospital network. These will constitute tier one facilities in that the existing co-insurance provisions under the PERS Select plan, that is $3,000 maximum out-of-pocket on that 80/20 arrangement will remain. If an individual wishes to have their medical services done at a tier two hospital, and again this is only in the PERS Select plan, the co-insurance is lowered to 70% and the maximum out-of-pocket increases to double the amount, $6,000 per member, $12,000 per family. So clearly there is a disincentive to use tier two hospitals. Now you may ask why is this happening? Why are you putting this particular narrow hospital network in. By doing so, we're able to project that we'll be able

to offer the PERS Select plan and we have lower hospital costs. And what we've done working with the CalPERS board and staff is that the premium differential between PERS Select and PERS Choice in 2011 will be 13% difference. So the value proposition is we can offer an individual the same, they have access to the same benefit coverage as PERS Choice but in using a more cost efficient physician network, and a more cost efficient hospital network, and they are large networks, that they can have the identical coverage available at a 13% lower premium cost. Times are tough and it was, in discussing how things are economically, it was stressed to us that we need to come up with an idea that will help lower premium costs. Overall throughout California, the PERS Select plan is the lowest cost medical program available in 2011 in the CalPERS program.

At Anthem Blue Cross we have created a shared website with CalPERS. This is a picture of what that particular website address looks like. We have loaded a ton of information on there. This website has many many tools that you can use. One of the key components of this website is called the provider finder. And you'll notice a friendly physician there on the home page, if you press on that, that provides you a link to be able to identify who are the physicians, let's say participating in our network, who are, which hospitals will constitute the tier one under the PERS Select plan, which are the physicians that participate as Select physicians under the PERS Select plan. We've had a lot of success with this website.

Also on Anthem Blue Cross, we offer like most medical plans or medical insurance companies provide these days, a full array of disease management programs. This is all covered under our 360 degree health services program, along with a future moms program for high risk pregnancies. We also provide a 24/7 nurse line. We also provide special offers and discount programs that are available through the website. We also provide other resources such as a direct link to Web MD. You can have your own health record recorded. You can look up your own claims status. We also have the ability through our Anthem Care comparison program to actually shop beforehand before you receive medical services to see what comparative hospital costs are. And that type of tool could help you reduce what your, say 20% portion might be under PERS Choice and PERS Care coverage or your 10% under PERS Care. So in essence we do have a lot of resources available through the shared website with CalPERS. And again a lot of members have informed us they find them very productive and very useful tools for their use. Thank you very much.

Pamela Goldberg:
And now we'd like to invite from Medco Gloria Feldman.

Gloria Feldman:
Thank you. My name is Gloria Feldman. I'm with Medco. I support the PPO plans for CalPERS. Medco provides prescription drug benefit coverage for the PERS Care, PERS Choice and PERS Select plans. And what I'm going to talk to

you about for the next 15 minutes or so is I'll go into a little bit about Medco, I'll go over the categories of types of medications out there, we'll talk specifically about the prescription benefit designed for CalPERS, and some of the new items for 2011. We'll talk about how to use Medco's mail service pharmacy, and we'll talk about how members can access information about the 2011 plan design changes. And then finally we'll talk about Medco.com and some of the other tools we offer to your members.

Okay. We'll get into a little bit about Medco now. Medco provides pharmacy benefit management for approximately 65 million Americans. And last year we managed prescriptions, both retail and mail prescriptions, for about 700 million prescriptions, 100 million of which were mail order prescriptions. And we also partner with approximately 60,000 retail pharmacies in our network and that's nationwide. Most major chain pharmacies are in our network as well as independent pharmacies. In 2009, just under 27 million prescriptions were processed through Medco's website, Medco.com. And weekly we're seeing about 12,000 new prescriptions that come through to be e-prescriptions. So we're seeing a trend where doctors are moving more toward paperless prescriptions.

One of the things we're really proud about as a company at Medco is in 2009 we, excuse me, in 2010 we captured the number 1 position in the health care sector on Fortune's most admired companies list for the third consecutive year. In this sector, Medco ranked number 1 in several attributes including innovation and quality of products and services. And I think that innovation and quality of services can really be seen in the next bullet point that talks about our Medco pharmacists. Medco's pharmacists in our mail services facilities throughout the country are what we call specialist pharmacists. And what that means is they're specifically trained to support patients with specific conditions. For example, diabetes, asthma or cardiovascular disease. These pharmacists can work with patients directly and their doctors to identify if there's potential gaps in care in a patient's therapy and help them to resolve those various gaps in care. And we find that it results in overall improved quality of service for our members.

Now we'll move in and talk a little bit about different drug types. The first drug type I want to talk about is preferred brand medications. Preferred brand medications are preferred by the plan and are based on an independent clinical review board decision. These are typically brand medications that only have one manufacturer. That manufacturer holds the patent on that medication and there are no other equivalent products out in the marketplace. No generics for example. An example of this type of a drug would be Crestor or Lipitor.

The next type of drug I want to talk about is non-preferred brand medications. These are medications also determined by an independent clinical review board. However, these products do have alternatives out in the marketplace. They either have a generic product available or other alternative brand name products

available. So if there are multiple points of access for the product, that typically the originally branded product then moves to what we call a non preferred status. And ultimately take s a higher copayment than a preferred or generic medication.

The next type of drug I'll talk about is generic medications and these are available from multiple manufacturers and they're significantly less costly than brand medications. Generics are considered to be safe and effective as their brand name counterparts and they have the same active ingredients as the brand name medications.

We'll move to over-the-counter products. Over-the-counter products are not covered under the PERS PPO plans with the exception of diabetic test strips, insulin and lancets. Several prescription drugs have recently gone over-the-counter. You may have seen commercials on television for these. They include products like Claritin, Prilosec and Zyrtec. And one of the items I want to highlight here is new for 2011, is prescription medications with an over-the-counter alternative are not covered and there's a little typo here in this presentation. It says over-the-counter equivalent, but it's actually over-the-counter alternative products will no longer be covered in 2011.

The next type of drug, and final drug type I'll talk about today is specialty drugs. These are typically high cost medications that require sometimes injection or intravenous infusion. They require safety monitoring typically. They might require special training needs and coordination of care. Could have unique handling and storage requirements such as refrigeration. And they're often used to treat patients living with severe or chronic conditions such as multiple sclerosis or hemophilia. A common specialty medication you might have heard of or seen on television is Embril which is used to treat rheumatoid arthritis. Medco has our specialty pharmacy called Acredo that works directly with patients who have these types of chronic conditions and require specialty medications to ensure that they're getting these medications in a, in the proper timeframe with the proper training and care, so that they're staying consistent with their therapy.

Now we'll move into some of the specific plan design information for the PPO plans. We'll move to the copay chart here. And you'll see the first two columns in the copay chart represent retail copayments. The only difference on the prescription drug plan between the PERS Care, PERS Choice and PERS Select plans is the day supply allowance at retail. PERS Care allows up to a 34 day supply at retail, whereas Choice and Select allow up to a 30 day supply. Other than that distinction, the plans are the same across the board. So the generic copayments at retail for short-term medications can be seen in the first column and that's a $5 generic copayment, $15 preferred brand copayment, and a $45 non preferred brand copayment. And I'm going to leave the last line to talk about at the end of this slide. The second column represents the copayments for maintenance medications at retail. After the first two fills at retail, members are subject to a higher copayment on maintenance medications. We like to

encourage to switch those medications over to mail order. They get a 90 day supply for the same copay they would be paying after that second fill at retail. And so they're really saving a lot of money if they choose to move to mail order. So the copayments on the maintenance supplies at retail are $10 for generics, $25 for preferred brands and $75 for non-preferred brands. And you'll see those amounts mirror the amounts in the mail order column so we highly encourage members to switch those maintenance medications over to mail. The last line in the cart references lifestyle medications, or you'll probably hear it described as discretionary medications. This is one of the new items for 2011. There will be a 50% co-insurance on these medications across the board at both retail and mail and some examples of discretionary medications are Viagra, Levitra and Cialis, the erectile dysfunction drugs.

We'll move down to the next slide which talks a little bit more about copays. The PPO plans have an out-of-pocket maximum at mail on the prescription benefit. It's $1,000 per calendar year per patient. And once the member or patient I should say, incurs $1,000 out-of-pocket at mail, the copayment is reduced to zero for the remainder of the year. One of the new items that I want to highlight for 2011 is that non-preferred brand medications will be excluded from that out-of-pocket maximum. So starting in 2011 only generic medications and preferred brand medications will count towards the members out-of-pocket max at mail.

I just want to point out that some prescriptions may require prior authorization for use. And upon approval, some non-preferred medications can be eligible for a partial copay waiver. There's a new item here that I also want to point out for 2011, and that is if the partial copay waiver is granted for the non-preferred medication at retail the copayment is $40 and $70 at mail. This is essentially a $5 increase from what is currently in place today.

Okay. I think we can move to the preferred drug list slide. We'll talk a little bit about the preferred drug list, it's also known as the formulary. A formulary is a list of generic and brand name drugs that are preferred by the plan. The formulary list offers members a choice while helping keep the cost of the prescription drug benefit affordable to both the member and the plan. The list is developed by a clinical committee of national medical experts, and the committee is made up of pharmacists and physicians who meet on a quarterly basis to make updates to the preferred drug list or formulary. When there's changes to the formulary that would impact a member by increasing a copayment because perhaps their drug was at a preferred brand copayment previously and now it's going to be considered non-preferred, we do do member notification to let them know that the higher copay will be applying.

Members can get information about the preferred drug list or the formulary on our website at www.medco.com or they can always contact our customer service representatives and we can mail them a formulary guide as well.

The next thing I want to talk about is getting started with mail order prescriptions. Mail order is a really important part of the benefit and we really encourage members to use mail order. The way that they get started is by asking their doctor to prescribe a 90 day supply of their long-term medications and then refills for up to one year if that's appropriate. They can either send the prescription to Medco, the patient can send it by mail or the doctor can send it in my fax or by the e-prescription I talked about a little bit earlier. Members can get a mail order form from the Medco website or also by calling Medco's customer service. Once we receive a prescription it typically arrives, we like to encourage members to have at least a 14 day supply on hand when they're ordering their first mail order prescription. We don't want there to be any interruption of therapy. So typically a prescription takes 14 days to arrive for new prescriptions and 8 days for refills. I'm sorry, it's new prescription are delivered in 8 days and 3 to 5 days for refills. Members can pay via multiple methods, check, credit card, money order and standard shipping is free. Refills can be ordered by the phone or on the website. And packaging of the medication is typically sent in tamper-proof packages through US mail and includes some literature along with the prescription.

One thing I want to highlight here, and I think I'm running a bit short on time, which is how to, how members can get information about their prescription benefit before January 1. So they want to know what the plan has to offer to help them make a decision and making their plan choice for the beginning of the year. We have two features that can do that. Basically members can call Medco member services and speak to press 1 to speak to an open enrollment representative. This will direct them to a specialist who can answer specific questions about the 2011 plan design coverage. They can also go to a special open enrollment website that we have up at Medco.com\calpers. On the right hand side on that nav bar, is a section where members can access more information about the prescription benefit.

Thank you for your time today.